



The Columbus & Ohio River Railroad
Mahoning Valley Railway Company
Ohio Central Railroad, Incorporated
Warren & Trumbull Railroad Company
Aliquippa & Ohio River Railroad Company

Youngstown Belt Railroad Company
Ohio and Pennsylvania Railroad Company
Ohio Southern Railroad, Incorporated
Youngstown & Austintown Railroad Company
Pittsburgh & Ohio Central Railroad Company

William A. Strawn II, President

47849 Paper Mill Road
Coshocton, OH 43812
Phone (740)-622-8092 * Fax (740)-623-4529

Mr. James Seney
Ohio Rail Development Commission
50 West Broad Street
Suite 1510
Columbus, Ohio 43215

February 9, 2006

RE: Long Term Lease of the Panhandle Line to the Columbus & Ohio River Railroad

06 FEB 10 PM 1:09
RECEIVED
WRC

Dear Director Seney,

The Columbus & Ohio River Railroad has successfully partnered with the State of Ohio in preserving and safely operating the Panhandle Rail Line since March of 1992. The C&OR has spent approximately \$22 million, during this period to make payments on the bonds used to purchase the line. Additionally, the C&OR has exceeded its required maintenance of the line by well over \$6 million, which was critically needed due to its deplorable condition when purchased. Our business plan and strategy was and remains to keep this line active because of the corridor it provides for traffic moving on and off our other railroads that connect to it.

* Our marketing development on this line has produced a few new customers, and we are working diligently on several initiatives designed to attract new business to the line. However, several large customers such as Ohio Oil Gathering, Koch Asphalt, and General Electric have closed down, producing a combined loss of well over 5,000 annual carloads. Some carloads losses were catastrophic in the decline of revenue generation, and as a result, the C&OR has been subsidized by capital contributions from our other railroads in those years when it could not meet its financial obligations. The Panhandle Rail Line today still does not produce sufficient annual revenues to adequately cover its immediate and long-term maintenance requirements, and therefore cannot stand-alone. It is the synergy and strength of the combined Ohio Central Railroad System that has and will continue the preservation of this corridor for freight and for future passenger operations to come.

It is imperative that continued capital investments be made in the Panhandle Line on an annual basis. We are quickly approaching major rehabilitation and in some cases replacement of rail, bridges, and a tunnel, many of which approach 100 years in age. The C&OR cannot consider a level of participation in these types of investments, without the assurance of continued operations on the line that would be provided for in a long-term lease with the State of Ohio. Then and only then can the C&OR and its lenders consider providing longer term capital for projects whose completed benefits would accrue to the owner of the line, which is the State of Ohio. Therefore, the C&OR requests that the ORDC enter into a 50 year lease of the Panhandle Rail Line with the C&OR, and we are prepared to work together to develop the terms needed to produce a workable document. Time is of the essence, as we are rapidly approaching rehabilitation costs that far exceed our ability to address them under the current operating agreement.

The C&OR appreciates the partnership with ORDC and continues to apply its due diligence efforts to the Panhandle Rail Line, knowing that our joint efforts will continue to produce positive results for rail transportation in the State of Ohio.

Sincerely,



William A. Strawn, II

President

The Ohio Central Railroad System